

## Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 OMB-01 /048 W

----- 124542

R 311225Z JAN 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9686

C O N F I D E N T I A L CAIRO 1286

EO 11652: GDS

TAGS: EGEN EIND

SUBJECT: AMERICAN MOTORS GENERAL SALES AND PROSPECTS

REF: CAIRO 9932

1. SUMMARY. AMGEN REPS REPORTED TO EMBASSY ANTICIPATED EARLY SALE OF ADDITIONAL 3000 JEEPS TO EGYPTIAN MILITARY, BUT EXPRESSED DISAPPOINTMENT OVER LOSS OF CONTRACT FOR TRUCK SALE TO MERCEDES. BECAUSE OF TECHNICAL SUPERIORITY AND PRICE COMPETITIVENESS OF THEIR 5-TON TRUCK, REPS SUSPECTED SOME OUTSIDE INFLUENCE ON EGYPTIAN DECISION. EMBASSY SUGGESTED POSSIBILITY OF AVAILABILITY OF GERMAN CREDITS, BUT AGREED INQUIRE DISCREETLY IN EFFORT TO ASSIST PROMOTION OF AMGEN TRUCKS. END SUMMARY.

2. EMBASSY WAS VISITED BY MESSRS. GEORGE STEGGLES AND GEORGE SCHARBACH, AMERICAN MOTORS GENERAL CORPORATION, WHO REPORTED ON PROGRESS OF AMGEN EFFORTS TO SELL JEEPS AND TRUCKS TO EGYPTIAN ARMY. THEY STATED THAT DEAL WAS ABOUT TO CONCLUDED--PERHAPS IN TWO WEEKS--TO SELL ANOTHER 3000 JEEPS TO EGYPTIAN ARMY. THESE WILL BE ADDITIONAL TO 3000 JEEPS PREVIOUSLY SOLD TO ARMY AND POLICE, MOST OF WHICH HAVE ALREADY BEEN DELIVERED.

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3. AMGEN EFFORTS TO SELL 5-TON 6X6 TRUCKS TO EGYPTIAN ARMY HAVE BEEN LESS SUCCESSFUL. AMGEN HAD BROUGHT A 5-TON TRUCK TO EGYPT NEARLY ONE YEAR AGO FOR TESTS AND, WHILE EGYPTIAN MILITARY TECHNICAL PERSONNEL SEEMED CONVINCED THAT ITS PERFORMANCE WAS SUPERIOR TO THAT OF ITS COMPETITORS, CONTRACT FOR SALE OF PURCHASED 1000 3-TON TRUCKS (MODEL 911) AND 500 UNIMOGS WAS AWARDED TO MERCEDES IN DECEMBER 1975.

4. AMGEN REPS WERE VERY DISAPPOINTED OVER LOSS OF SALE BECAUSE THEY CONSIDERED THEIR TRUCK TECHNICALLY SUPERIOR AND PROPORTIONATELY COMPETITIVE IN PRICE. THEY COMPLAINED THAT ALL THEIR EFFORTS TO FIND OUT RATIONALE FOR PURCHASE DECISION WERE TURNED ASIDE AND, AS RESULT, THEY SUSPECT THAT SOME OUTSIDE INFLUENCE, APART FROM THE TECHNICAL CONSIDERATIONS AND PRICE, WAS RESPONSIBLE FOR EGYPTIAN DECISION. AMGEN REPS ALSO COMMENTED THAT ONE OF PROBLEMS THEY ENCOUNTERED CONCERNED NATURE OF TENDER WHICH ASKED FOR BIDS ON "3 TO 5-TON TRUCKS." TRUCK THAT THEY BROUGHT WAS, OF COURSE, THEIR 5-TON MODEL AND, WHEN THEY SAW THAT THEY WERE COMPETING WITH MERCEDES 3-TON MODEL, THEY SOUGHT TO PROMOTE VIRTUES OF THEIR 2 1/2-TON (WITH 3-TON RATING) MODEL, BUT WITHOUT SUCCESS.

5. WHEN QUERIED BY EMBASSY REGRADING PROGRESS TOWARD ARRANGEMENTS WITH ARAB ORGANIZATION FOR INDUSTRIAL ORGANIZATION (AOI) FOR ASSEMBLY OF JEEPS AND TRUCKS IN EGYPT, AMGEN REPS INDICATED THAT THEIR INABILITY TO SELL TRUCKS TO EGYPTIAN ARMY MIGHT HAVE EFFECT ON THEIR WILLINGNESS TO PROCEED WITH ASSEMBLY PLANT PROPOSITION. THEY NOTED IN THIS REGARD THAT THEY ALSO HAD BEEN UNABLE TO OBTAIN ASSURANCES FROM AOI CHAIRMAN ASHRAF MARWAN OR ANY OTHERS INVOLVED IN AOI THAT TRUCKS ASSEMBLED IN EGYPT WOULD HAVE GUARANTEED MARKET--AT LEAST FOR BULK OF PRODUCTION-- IN ARAB COUNTRIES. ALL THEY RECEIVED WERE VAGUE ASSURANCES THAT ONCE ASSEMBLY

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PLANT WAS IN OPERATION, ARRANGEMENTS WOULD BE ASSURED FOR SALE OF TRUCKS. AMGEN REPS COMMENTED THAT THIS ASSURANCE WAS INSUFFICIENT SINCE COST OF ASSEMBLING TRUCK IN EGYPT WOULD BE HIGHER THAN PRICE CHARGED FOR SAME TRUCK PRODUCED IN US. THEY FEARED THAT, WITHOUT GUARANTEED MARKET, EGYPTIAN-ASSEMBLED TRUCK WOULD NOT BE COMPETITIVE AND THAT INVESTMENT WHICH AMERICAN MOTORS COMPANY

EXPECTED TO MAKE IN ASSEMBLY PLANT MIGHT BE  
JEOPARDIZED.

6. AMGEN REPS EXPRESSED CONCERN WITH PROBLEMS  
ENCOUNTERED IN SELLING THEIR TRUCKS AND ASKED  
WHETHER EMBASSY COULD DEVELOP ANY INFORMATION RE  
REASONS WHY CONTRACT WAS GIVEN TO MERCEDES. WE  
SUGGESTED THERE POSSIBLY WERE GERMAN CREDITS THAT  
WERE AVAILABLE FOR USE IN PURCHASE OF TRUCKS AND,  
GIVEN FOREIGN EXCHANGE SHORTAGE HERE, THIS COULD  
HAVE BEEN DETERMINING FACTOR. WE DO NOT BELIEVE  
IT WILL BE POSSIBLE TO FIND OUT EASILY REASONS FOR  
EGYPTIAN DECISION, BUT INDICATED THAT WE WOULD  
MAKE DISCREET INQUIRIES TO DETERMINE WHAT PROBLEM  
WAS IN EFFORT TO ASSIST AMGEN IN FUTURE SALES.  
AMGEN REPS INDICATED THAT THEY HAD NOT GIVEN UP  
HOPE SELL THEIR TRUCKS TO EGYPTIANS AND WOULD  
CONTINUE TO SEEK CONTRACT FROM EGYPTIAN ARMY.  
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